

Minutes of the
Board of Water and Natural Resources Meeting

Conducted via the
Digital Dakota Network

March 27, 2008

State Capitol Building
Pierre, SD

S.D. School of Mines & Technology
Rapid City, SD

South Dakota Public Universities and Research Center
Sioux Falls, SD

Lake Area Technical Institute
Watertown, SD

and
Via Telephone Conference Call

March 28, 2008

MARCH 27, 2008 – 2:30 P.M. CDT

CALL MEETING TO ORDER: Chairman Brad Johnson called the meeting to order. A quorum was present.

BOARD MEMBERS PRESENT: Brad Johnson, Don Bollweg, John Loucks, Gene Jones, Dale Kennedy, and Don Rounds.

BOARD MEMBERS ABSENT: Kelly Wheeler.

OTHERS PRESENT: See attached attendance sheets.

AGENDA: Jim Feeney noted that the board would consider the Perkins County Rural Water System SWRMS amendment on Friday morning.

The amended agenda was approved.

APPROVE MINUTES OF JANUARY 3-4, 2008, AND FEBRUARY 8, 2008, MEETINGS:
Motion by Bollweg, seconded by Rounds, to approve the minutes of the January 3-4, 2008, Board of Water and Natural Resources meeting, and the February 8, 2008, telephone conference call meeting. Motion carried.

STATE WATER PLAN AMENDMENTS: Water projects that will require state funding or need state support for grant or loan funding must be included on the State Water Facilities Plan (facilities plan). The Board of Water and Natural Resources annually approves projects to be placed on the facilities plan and provides for the amendment of projects onto the facilities plan.

David Ryan noted that placement of a project on the facilities plan is not a guarantee of funding. Projects approved for amendment onto the 2008 State Water Facilities Plan remain on the plan through December 2009.

Mr. Ryan presented the State Water Facilities Plan applications.

The city of Arlington requested amendment onto the 2008 facilities plan for water and sanitary sewer improvements. Staff recommended amending the project onto the facilities plan.

The city of Delmont requested amendment onto the 2008 facilities plan for water main improvements. Staff recommended amending the project onto the facilities plan.

The city of Harrisburg requested amendment onto the 2008 facilities plan for the construction of an elevated water storage tower. Staff recommended amending the project onto the facilities plan.

The town of Java requested amendment onto the 2008 facilities plan for a water line replacement project. Staff recommended amending the project onto the facilities plan.

The city of Marion requested amendment onto the 2008 facilities plan for wastewater system improvements. Staff recommended amending the project onto the facilities plan.

The Mid-Dakota Rural Water System requested amendment onto the 2008 facilities plan for treatment and distribution improvements. Staff recommended amending the project onto the facilities plan.

The town of Newell requested amendment onto the 2008 facilities plan for a sewer and water main reconstruction project. Staff recommended amending the project onto the facilities plan.

The town of Quinn requested amendment onto the 2008 facilities plan for the construction of a wastewater collection and treatment system. Staff recommended amending the project onto the facilities plan.

The city of Sioux Falls requested amendment onto the 2008 facilities plan for the central main interceptor replacement project. Staff recommended amending the project onto the facilities plan.

The city of Spearfish requested amendment onto the 2008 facilities plan for the drilling and development of a new well. Staff recommended amending the project onto the facilities plan.

The city of Spearfish requested amendment onto the 2008 facilities plan for a storm sewer detention pond. Staff recommended amending the project onto the facilities plan.

The city of Warner requested amendment onto the 2008 facilities plan for a water storage tower and meter replacement project. Staff recommended amending the project onto the facilities plan.

The city of Waubay requested amendment onto the 2008 facilities plan for phase II of a water and wastewater improvement project. Staff recommended amending the project onto the facilities plan.

Motion by Kennedy, seconded by Jones, to amend the above projects onto the 2008 State Water Facilities Plan. Motion carried.

AMEND FFY 2008 CLEAN WATER INTENDED USE PLAN (IUP): Mike Perkovich reported that the FFY 2008 Clean Water IUP was approved by the board in November 2007.

The department proposed amending the FFY 2008 Clean Water IUP by adding the following to Attachment I – Project Priority List:

Priority Points	Loan Recipient	Project Description	Est. Loan Amount	Expected Loan Rate & Term
14	Sioux Falls	Replacement of the Central Mains sanitary sewer from the NPS substation through the Big Sioux River spillway, from Sioux Steel to 6 th Street, and from 8 th Street to 11 th Street.	\$3,744,000	2.50%, 10 yrs.
12	Quinn	Construction of a new wastewater collection system and treatment facility to eliminate individual septic systems.	\$370,000	3.50%, 30 yrs.
10	Marion	Replace approximately 9,500 feet of sewer lines throughout the community to address infiltration and grade issues.	\$1,500,000	3.50%, 30 yrs.
9	Spearfish	Construction of a storm water detention facility to control run-off from an industrial park.	\$120,000	3.25%, 20 yrs.
8	Arlington	Replace approximately 2 ½ blocks of sanitary sewer under Birch and 1 st Streets.	\$100,000	3.50%, 30 yrs.
8	Waubay	Replace 10,700 feet of sanitary sewer and 2,360 feet of force main and lift station upgrades to complete the city's two-phase sewer replacement project.	\$800,000	3.50%, 30 yrs.

The department proposed deleting the following from Attachment I – Project Priority List:

12	Sioux Falls	Phase 2 of the Eastside Sanitary Sewer extension project.	\$12,000,000	2.50%, 10 yrs.
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Mr. Perkovich noted that the following modification was made to the Administrative Surcharge Uses:

In fiscal year 2008, \$150,000 of administrative surcharge funds will be allocated. Newly allocated and prior year funds may be used on an as-needed basis for the following activities: non-federal cost share for Total Maximum Daily Load (TMDL) assessments and implementation projects, planning grants, and to supplement the Consolidated program with grants for wastewater treatment projects.

Motion by Bollweg, seconded by Rounds, to amend the FFY 2008 Clean Water Intended Use Plan, as presented. Motion carried.

AMEND FFY 2008 DRINKING WATER INTENDED USE PLAN (IUP): Mr. Perkovich reported that the FFY 20087 Drinking Water IUP was approved by the board in November 2007.

The department proposed amending the FFY 2008 Drinking Water IUP by adding the following projects to Attachment I – Project Priority List:

Priority Points	Community/ Public Water System	Project Description	Est. Loan Amount	Expected Loan Rate & Term
93	Delmont	<i>Problem:</i> Portions of the city's water main are cast iron pipe that is old and in poor condition and newer portions of the distribution system were constructed with limited looping. <i>Project:</i> Replace approximately 3,860 feet of existing cast iron mains with PVC, and install approximately 1,590 feet of additional PVC lines to provide looping.	\$170,000	2.50%, 30 yrs.
22	Spearfish	<i>Problem:</i> Water demand on the east site of the city has, on occasion, exceeded the capability of the existing booster pump and well that serve the area. <i>Project:</i> Develop a new well to serve the area.	\$1,300,000	3.25%, 20 yrs.
19	Arlington	<i>Project:</i> Portions of the city's water main are cast iron that is old and in poor condition. <i>Project:</i> Replace approximately 2 ½ blocks of water main under Birch and 1 st Streets.	\$190,000	3.25%, 30 yrs.
18	Warner	<i>Problem:</i> The city's water storage reservoir does not provide adequate storage to meet peak day demand, and the water meters have outlived the useful life expectancy. <i>Project:</i> Construct a 75,000-gallon elevated water storage reservoir and replace water meters.	\$300,000	3.25%, 20 yrs.
9	Newell	<i>Problem:</i> Portions of the city's distribution system consist of transite and cast iron pipe that is old and in poor condition. <i>Project:</i> Replace approximately 1,600 feet of line in conjunction with a DOT project.	\$130,000	2.50%, 30 yrs.
9	Waubay	<i>Problem:</i> The city's distribution system is old and in need of replacement. <i>Project:</i> Replace 10,950 feet of water line to complete the city's two-phase water distribution system replacement project.	\$1,200,000	2.50%, 30 yrs.
7	Java	<i>Problem:</i> The city's water distribution system consists of cast iron that is old and in poor condition. <i>Project:</i> Install approximately 14,600 feet of PVC water main to replace the existing cast iron lines.	\$150,000	3.25%, 30 yrs.
4	Harrisburg	<i>Problem:</i> The city's existing standpipe-style water reservoir has experienced numerous leaks and is at an elevation insufficient to provide adequate pressure. <i>Project:</i> Construct a new 1,000,000-gallon elevated water tower.	\$2,600,000	3.25%, 20 yrs.

Motion by Loucks, seconded by Kennedy, to amend the FFY 2008 Drinking Water Intended Use Plan, as presented. Motion carried.

CONSOLIDATED WATER FACILITIES CONSTRUCTION PROGRAM FUNDING

APPLICATIONS: Jim Feeney reported that the department received nine consolidated funding applications by the January 1, 2008, deadline requesting \$1,970,000. The application from the town of Woonsocket was withdrawn. Mr. Feeney noted that \$3,585,590 is available to award. The department's recommendations to the board for this funding round total \$975,000. If the board accepts the staff's funding recommendations, \$2,610,590 will be available for subsequent funding rounds.

Mr. Feeney noted that the administrative rules require the board to wait a minimum of 12 hours from the time applications are presented before making funding decisions. The board made funding decisions the following morning.

The city of Beresford requested a \$125,000 grant for the East Street water main improvements project. The estimated total project cost is \$212,000.

Staff recommended awarding a consolidated grant up to \$100,000.

Dan Cotton, city of Beresford, discussed the project and requested approval of the consolidated grant.

The city of Chamberlain requested a \$200,000 grant for a water treatment plant renovation and upgrade project. The estimated total project cost is \$967,000. Mr. Feeney noted that the proposed funding package includes a \$255,000 Clean Water SRF loan and \$60,000 in local cash. Staff recommended no consolidated funding for this project. Mr. Feeney stated that state grant assistance for more than 49% of the project has been secured through CDBG. Additional state grant assistance is not justified based on rates and the city's water fund cash balance.

Greg Powell, city engineer, discussed the project and requested board approval of consolidated funding.

The city of Dell Rapids requested a \$200,000 grant for main lift station improvements. The estimated total project cost is \$1,215,000.

Staff recommended awarding a grant up to \$200,000.

Vicky Haskell, finance officer, requested board approval of grant funding.

The city of Elk Point requested a \$265,000 grant for Washington Street utility improvements. The estimated total project cost is \$458,300. Elk Point also requested a \$300,000 grant for Clay Street utility improvements. The estimated total cost for this project is \$885,800. The combined total of both projects is \$1,344,100, with 42% of the cost being related to the sanitary sewer work and 58% of the cost is related to the drinking water line.

Staff recommended combining the projects and awarding a consolidated grant up to \$300,000. Mr. Feeney stated that based on the applications submitted, staff determined that Elk Point can finance the balance of the funding package with the \$266,000 currently available in its water fund, and SRF loans at the current water rate and its proposed sewer rate.

Dawn Glover, Elk Point city administrator, and Kim McLaury, McLaury Engineering, discussed the projects and requested board approval of funding.

The city of Frankfort requested a \$100,000 grant for water treatment and collection system improvements. The estimated total project cost is \$183,150.

Staff recommended awarding a grant up to \$75,000 contingent upon the city eliminating the artesian well flows from the existing sanitary sewer collection system. Mr. Feeney noted that Frankfort proposes to fund the balance of the project with a Rural Development grant and loan package.

Richard Aaker, mayor of Frankfort, discussed the project and requested approval of consolidated funding.

The city of Lennox requested a \$600,000 grant for a wastewater system improvements project. The estimated total project cost is \$1,628,500.

Staff recommended awarding a grant up to \$300,000. Based on staff review of the application, the city can finance the balance of the project with a Clean Water SRF loan at its current rate. Staff also noted that the city will use \$154,000 in local cash.

Justin Weiland, city administrator, and Harlan Quenzer, SPN Associates, discussed the project and requested approval of funding.

The town of Mission Hill requested a \$100,000 grant for a water tower replacement project. The estimated total project cost is \$687,300.

Staff recommended no funding because the application, as submitted, does not reflect a viable funding package. Staff will work with the town, Arens Engineering, and Third Planning District to develop a viable approach to the community's needs.

This concluded presentation of the consolidated funding applications.

SOLID WASTE MANAGEMENT PROGRAM APPLICATIONS: David Ryan presented the Solid Waste Management Program funding applications. He noted that approximately \$2.9 million is available for disposal activities, recycling activities, and regional landfill assistance.

By administrative rule, the board is required to wait at least 12 hours, but can take up to 120 days, after being presented with the grant applications to make funding decisions. The board made funding decisions the following day.

The city of Belle Fourche requested a \$150,000 grant for the purchase of a landfill scraper. The estimated total project cost is \$300,000.

Staff recommended awarding a grant up to \$150,000 from the Regional Landfill Assistance appropriation.

Dirk Hoffman, public works director, discussed the project and requested board approval of funding.

The Northwest Regional Landfill Association requested a \$44,100 grant for the purchase of portable litter fences and the purchase of additional roll-off containers. The estimated total project cost is \$58,800.

Staff recommended awarding a grant up to \$30,000 from the Solid Waste Management Program.

The Roberts County Regional Landfill requested a \$262,140 grant for land acquisition and leachate pond construction. The estimated total project cost is \$436,900.

Staff recommended awarding a grant up to \$215,000 from the Regional Landfill Assistance appropriation contingent upon the county securing a South Dakota Solid Waste Management Permit to use the acquired property for the regional landfill.

Larry Holton, Holton Engineering, discussed the project and requested approval of funding.

This concluded presentation of the solid waste program funding applications.

SIoux FALLS REGIONAL LANDFILL SOLID WASTE MANAGEMENT PROGRAM GRANT AMENDMENT: Mr. Ryan reported that on March 31, 2006, the board awarded a \$16,500 grant to Sioux Falls to assist with the completion of a regional landfill gas generation and feasibility study.

The city has hired a consultant who has completed much of the work required to complete the study. The city is currently in negotiations with a vendor that is interested in using the landfill gas that is generated, and the city is reluctant to release the results of the study until after the negotiations are final.

The grant will terminate on March 31, 2008.

Staff recommended approval of a one-year time extension on the city's grant agreement.

Motion by Rounds, seconded by Bollweg, to adopt Resolution #2008-21 approving amendment #1 to the Solid Waste Management Program Funding #2007G-SW-102 with the city of Sioux Falls by extending the grant termination date from March 31, 2008 to March 31, 2009. A roll call vote was taken, and the motion carried unanimously.

DRINKING WATER SRF SMALL SYSTEM SET-ASIDE CONTRACT: Mr. Ryan reported that in 1997, the board established the Small System Technical Assistance Set-Aside Program. Since then, the board has authorized the secretary of DENR on several occasions to negotiate and sign technical assistance contracts with the South Dakota Association of Rural Water Systems

(SDARWS). To date, nearly \$590,000 has been provided for small system technical assistance through the SDARWS.

As part of the 2008 Intended Use Plan approved in November 2007, the board approved continuing efforts to provide technical assistance to small drinking water systems. The SDARWS' current contract has expended all of the funds that have been placed under contract. The association has submitted a letter requesting additional funds be obligated for this activity.

Staff recommended the board adopt a resolution authorizing the secretary of DENR to negotiate and sign a new contract.

Motion by Bollweg, seconded by Jones, to adopt Resolution #2008-22 approving a new consulting contract with the South Dakota Association of Rural Water Systems to provide small system technical assistance, with a total contract amount not to exceed \$100,000 and authorizing the secretary of DENR to sign the new contract. A roll call vote was taken, and the motion carried unanimously.

2008 BOND ISSUE RECAP: Mr. Feeney reported that on March 6, 2008, the SD Conservancy District closed its \$40,000,000 State Revolving Fund Program Bonds, Series 2008. The entire \$40,000,000 was purchased by Deutsche Bank. The Series 2008 bonds were issued as multi-modal variable rate demand bonds priced at 2.35% by the underwriter, Wachovia Bank. Wachovia will be responsible for resetting the rates. The District can convert to a daily or weekly mode on its August 1, 2008 reset date, but is not required to convert to a different mode. Public Financial Management, financial advisor to the board, will provide insight into the current market conditions to assist the board and department staff in deciding whether to convert the Series 2008 bonds to a weekly or daily mode.

STATE REVOLVING FUND PROGRAMS: Mr. Feeney reported that \$26,515,500 is available for Clean Water SRF loans and \$29,454,700 is available for Drinking Water SRF loans. He noted that these amounts reflect the 2008 Capitalization Grant, which has not yet been received.

CROOKS CLEAN WATER SRF LOAN APPLICATION: Jim Anderson reported that the city of Crooks applied for a Clean Water SRF loan to construct three additional wastewater treatment ponds. A portable aeration system will also be utilized in the ponds. The new system is needed because the existing treatment ponds have reached their design limits. Also, the stream classification that Crooks discharges to has been upgraded, and the current system will not meet DENR discharge standards.

Dave Ruhnke stated that the city applied for a \$697,000 loan at 3.25% for 20 years. The city has received a \$50,000 consolidated grant for the project. The city is pledging wastewater revenues toward repayment of the loan. Debt coverage after project completion is estimated to be 128%, which exceeds the 110% requirement.

Staff recommended approval of the loan contingent upon the city resolution authorizing the sale of the bond being passed, published, and becoming effective, contingent upon the environmental review process being completed, and contingent upon the SRF loan receiving parity with the city's existing 1972 sewer debt.

Motion by Kennedy, seconded by Jones, to adopt Resolution #2008-23 approving the Clean Water State Revolving Fund loan up to a maximum commitment amount of \$697,000 at 3.25% interest for a term of 20 years to the city of Crooks to construct three additional wastewater treatment ponds, and authorizing the execution of the loan agreement, the acceptance of the Local Obligation, the assignment of the Local Obligation to the Trustee, and the execution and delivery of such other documents and the performance of all acts necessary to effectuate the loan approved in accordance with all terms as set forth in the Indenture of Trust. The loan is contingent upon the city passing a resolution authorizing the sale of the bond and the resolution being passed, published, and becoming effective, contingent upon the environmental review process being completed, and contingent upon the SRF loan receiving parity with the city's existing 1972 sewer debt. A roll call vote was taken, and the motion carried unanimously.

SIoux FALLS CLEAN WATER SRF LOAN APPLICATION: Jim Anderson reported that the city of Sioux Falls applied for a Clean Water SRF loan to replace a portion of the Central Mains Interceptor. This is part of Phase III that will replace the sanitary sewer in six segments. Segment 1 will be constructed and the design work on several additional segments will be completed with this loan. The Central Mains Sanitary Sewer has a coal tar epoxy lining that has had limited success protecting the concrete pipe. The deteriorating RCP pipe will also be upsized to meet the needs of the city.

Dave Ruhnke reported that the city applied for a \$3,744,000 loan at 2.5% for 10 years. The city has pledged wastewater revenues toward repayment of the loan. Debt coverage after project completion is estimated to be 241%, which exceeds the 110% requirement.

Staff recommended approval of the loan contingent upon the city ordinance authorizing the sale of the bond being passed, published, and becoming effective.

Motion by Rounds, seconded by Bollweg, to adopt Resolution #2008-24 approving the Clean Water State Revolving Fund loan up to a maximum commitment amount of \$3,744,000 at 2.5% interest for a term of 10 years to the city of Sioux Falls to replace a portion of the Central Mains Interceptor, and authorizing the execution of the loan agreement, the acceptance of the Local Obligation, the assignment of the Local Obligation to the Trustee, and the execution and delivery of such other documents and the performance of all acts necessary to effectuate the loan approved in accordance with all terms as set forth in the Indenture of Trust. The loan is contingent upon the city ordinance authorizing the sale of the bond being passed, published, and becoming effective. A roll call vote was taken, and the motion carried unanimously.

SIoux FALLS CLEAN WATER SRF LOAN APPLICATION: Mr. Anderson reported that the city of Sioux Falls applied for a Clean Water SRF loan to retrofit eight existing detention ponds and reconstruct one storm sewer line. The detention ponds need to be upgraded to meet the pollutant reduction goals of the city. The 30th Street and Covell Avenue Area "A" Drainage Basin storm sewer system is the last of eight drainage basins needing improvements to meet the city design standards for storm sewer systems.

Dave Ruhnke reported that the city applied for a \$2,621,000 loan at 2.5% for 10 years. The city has pledged storm drainage revenue toward repayment of the loan. Debt coverage after project completion is estimated to be 170%, which exceeds the 110% requirement.

Staff recommended approval of the loan contingent upon the city ordinance authorizing the sale of the bond being passed, published, and becoming effective.

Motion by Bollweg, seconded by Rounds, to adopt Resolution #2008-25 approving the Clean Water State Revolving Fund loan up to a maximum commitment amount of \$2,621,000 at 2.5% interest for a term of 10 years to the city of Sioux Falls to retrofit eight existing detention ponds and reconstruct one storm sewer line, and authorizing the execution of the loan agreement, the acceptance of the Local Obligation, the assignment of the Local Obligation to the Trustee, and the execution and delivery of such other documents and the performance of all acts necessary to effectuate the loan approved in accordance with all terms as set forth in the Indenture of Trust. The loan is contingent upon the city ordinance authorizing the sale of the bond being passed, published, and becoming effective. A roll call vote was taken, and the motion carried unanimously.

MARTIN CLEAN WATER SRF LOAN APPLICATION: Hayes Haas reported that the city of Martin applied for a Clean Water SRF loan to add riprap to the primary treatment ponds of the north wastewater treatment facility to prevent erosion on the banks due to high wind/wave action. In order to maintain an adequate seal, the dikes of the primary treatment ponds will need to be reshaped and compacted.

Elayne Lande reported that the city applied for a \$237,250 loan at 3.25% for 20 years. The city has pledged wastewater surcharge revenue toward repayment of the loan. Debt coverage after project completion is estimated to be 110%, which meets the 110% requirement.

Staff recommended approval of the loan contingent upon the resolution authorizing the sale of the bond being passed, published, and becoming effective.

Motion by Bollweg, seconded by Rounds, to adopt Resolution #2008-26 approving the Clean Water State Revolving Fund loan up to a maximum commitment amount of \$237,250 at 3.25% interest for a term of 20 years to the city of Martin for the North sewer lagoon stabilization project, and authorizing the execution of the loan agreement, the acceptance of the Local Obligation, the assignment of the Local Obligation to the Trustee, and the execution and delivery of such other documents and the performance of all acts necessary to effectuate the loan approved in accordance with all terms as set forth in the Indenture of Trust. The loan is contingent upon the resolution authorizing the sale of the bond being passed, published, and becoming effective. A roll call vote was taken, and the motion carried unanimously.

GARRETSON CLEAN WATER SRF LOAN APPLICATION: Gayleen Lowe reported that the city of Garretson applied for a Clean Water SRF loan to build a wastewater lift station and forcemain to serve an area north of Split Rock Creek along Highway 11, and from Highway 11 to 5th Street.

Elayne Lande reported that the city applied for a \$410,000 loan at 3.25% for 20 years. The city has pledged wastewater revenue toward repayment of the loan. Debt coverage after project completion is estimated to be 140%, which exceeds the 110% requirement.

Staff recommended approval of the loan contingent upon the resolution authorizing the sale of the bond being passed, published, and becoming effective and contingent upon the environmental review process being completed.

Motion by Jones, seconded by Kennedy, to adopt Resolution #2008-27 approving the Clean Water State Revolving Fund loan up to a maximum commitment amount of \$410,000 at 3.25% interest for a term of 20 years to the city of Garretson the Split Rock Creek lift station and gravity sewer project, and authorizing the execution of the loan agreement, the acceptance of the Local Obligation, the assignment of the Local Obligation to the Trustee, and the execution and delivery of such other documents and the performance of all acts necessary to effectuate the loan approved in accordance with all terms as set forth in the Indenture of Trust. The loan is contingent upon the resolution authorizing the sale of the bond being passed, published, and becoming effective and contingent upon the environmental review process being completed. A roll call vote was taken, and the motion carried unanimously.

WATERTOWN DRINKING WATER SRF LOAN APPLICATION: Eric Meintsma reported that the city of Watertown applied for a Drinking Water SRF loan for a water system improvements project to address water supply, treatment, and distribution issues facing the city. The project includes replacing the Lake Kampeska water supply with a new groundwater well field, replacing the Lake Kampeska water treatment facility with an expansion of the city water treatment plant, and removal and replacement of the Mellette standpipe with a new 2,000,000 gallon standpipe.

Dave Ruhnke reported that the city requested approval of a \$23,760,000 Drinking Water SRF loan at 3.25% interest for 20 years. The Watertown Municipal Utilities Department is managed under the auspices of a citizen board established by the city. This utilities board has the authority to establish the water rates and to incur debt for the city. Both the board and the city will sign the loan agreement.

The city is pledging project surcharge revenues toward repayment of the loan. The utilities board has not yet established the project surcharge, but will establish it prior to closing of the loan. Staff will review the surcharge to insure that it meets the 110% requirement.

Staff recommended approval of the loan contingent upon the resolution authorizing the sale of the bond being passed, published, and becoming effective, contingent upon the environmental review process being completed, contingent upon the city obtaining a water permit for the new wells, and contingent upon the city establishing the project surcharge fee sufficient to provide the debt coverage.

Geoff Heig, city of Watertown, discussed the project and requested board approval of the loan.

Motion by Loucks, seconded by Rounds, to adopt Resolution #2008-28 approving the Drinking Water State Revolving Fund loan up to a maximum commitment amount of \$23,760,000 at 3.25% interest for a term of 20 years to the city of Watertown for water system improvements, and authorizing the execution of the loan agreement, the acceptance of the Local Obligation, the assignment of the Local Obligation to the Trustee, and the execution and delivery of such other documents and the performance of all acts necessary to effectuate the loan approved in accordance with all terms as set forth in the Indenture of Trust. The loan is contingent upon the resolution authorizing the sale of the bond being passed, published, and becoming effective, contingent upon

the environmental review process being completed, contingent upon the city obtaining a water permit for the new wells, and contingent upon the city establishing the project surcharge fee sufficient to provide the debt coverage. A roll call vote was taken, and the motion carried. Jones abstained from voting.

CHAMBERLAIN DRINKING WATER SRF LOAN APPLICATION: Jim Anderson reported that the city of Chamberlain applied for a Drinking Water SRF loan to repair the pre-sedimentation basin, replace the pre-sedimentation building, upgrade the chemical feed equipment, install a new control system, and install a new SCADA system and miscellaneous improvements.

The improvements are required because the current plant is losing water in the pre-sedimentation basin from bad valves or cracks. There is also a concern with the plant's inability to adjust to changing raw water quality without shutting the plant down. Automation of the plant is planned to increase the capacity, which should help the plant deliver reliable water when the raw water quality is changing.

Dave Ruhnke reported that the city requested approval of a \$276,500 Drinking Water SRF loan at 3.25% interest for 20 years. The city is pledging sales tax revenues toward repayment of the loan. Debt coverage after project completion is estimated to be 158%, which exceeds the 120% requirement.

Staff recommended approval of the loan contingent upon the resolution authorizing the sale of the bond being passed, published, and becoming effective, and contingent upon this loan receiving a parity position with the city's 2003 refinancing bonds.

Greg Powell, city of Chamberlain, discussed the project and requested board approval of the loan.

Motion by Bollweg, seconded by Jones, to adopt Resolution #2008-29 approving the Drinking Water State Revolving Fund loan up to a maximum commitment amount of \$276,500 at 3.25% interest for a term of 20 years to the city of Chamberlain for a water plant renovation and upgrade project, and authorizing the execution of the loan agreement, the acceptance of the Local Obligation, the assignment of the Local Obligation to the Trustee, and the execution and delivery of such other documents and the performance of all acts necessary to effectuate the loan approved in accordance with all terms as set forth in the Indenture of Trust. The loan is contingent upon the resolution authorizing the sale of the bond being passed, published, and becoming effective, and contingent upon this loan receiving a parity position with the city's 2003 refinancing bonds. A roll call vote was taken, and the motion carried unanimously.

VIBORG DRINKING WATER SRF LOAN APPLICATION: Eric Meintsma reported that the city of Viborg applied for a Drinking Water SRF loan to replace existing water distribution lines at various locations in the city. The new lines will replace old mains that are deteriorating, and eliminating dead-end lines will reduce low pressure and stagnant water problems.

Elayne Lande reported that the city requested approval of a \$249,775 Drinking Water SRF loan at 3.25% interest for 20 years. The city is pledging water revenues toward repayment of the loan. Debt coverage after project completion is estimated to be 128%, which exceeds the 110% requirement.

Staff recommended approval of the loan contingent upon the resolution authorizing the sale of the bond being passed, published, and becoming effective.

Motion by Kennedy, seconded by Rounds, to adopt Resolution #2008-30 approving the Drinking Water State Revolving Fund loan up to a maximum commitment amount of \$249,775 at 3.25% interest for a term of 20 years to the city of Viborg for water system improvements, and authorizing the execution of the loan agreement, the acceptance of the Local Obligation, the assignment of the Local Obligation to the Trustee, and the execution and delivery of such other documents and the performance of all acts necessary to effectuate the loan approved in accordance with all terms as set forth in the Indenture of Trust. The loan is contingent upon the resolution authorizing the sale of the bond being passed, published, and becoming effective. A roll call vote was taken, and the motion carried unanimously.

SFY 2009 BOARD MEETING SCHEDULE: Mr. Feeney presented the board with suggested board meeting dates for SFY 2009.

Motion by Jones, seconded by Kennedy, to adopt the following meeting schedule:

September 25-26, 2008 (Brookings)
November 6, 2008
January 8-9, 2009
March 26-27, 2009
June 25-26, 2009

A roll call vote was taken, and the motion carried unanimously.

LEGISLATIVE UPDATE: David Templeton, director of the Division of Finance and Technical Assistance, provide an update on 2008 legislation.

Chairman Johnson declared the meeting in recess.

MARCH 28, 2008 – 10:00 A.M. CDT

Chairman Johnson called the meeting back to order. A quorum participated.

CONSOLIDATED WATER FACILITIES CONSTRUCTION PROGRAM FUNDING DECISIONS: Mr. Feeney reviewed the consolidated grant applications and the funding recommendations.

Motion by Loucks, seconded by Jones, to adopt Resolution #2008-31 approving the South Dakota Consolidated Water Facilities Construction Program grant agreement between the state and the city of Beresford for a grant up to 47.2% of approved total project costs and not exceeding \$100,000 for an East Street improvements project. A roll call vote was taken, and the motion carried. Kennedy abstained from voting.

Motion by Bollweg, seconded by Kennedy, to adopt Resolution #2008-32 approving the South Dakota Consolidated Water Facilities Construction Program grant agreement between the state

and the city of Chamberlain for a grant up to 10.4% of approved total project costs and not exceeding \$100,000 for a water plant renovation and upgrade project. A roll call vote was taken, and the motion carried. Rounds cast the only dissenting vote.

Motion by Rounds, seconded by Bollweg, to adopt Resolution #2008-33 approving the South Dakota Consolidated Water Facilities Construction Program grant agreement between the state and the city of Dell Rapids for a grant up to 16.5% of approved total project costs and not exceeding \$200,000 for main lift station improvements. A roll call vote was taken, and the motion carried unanimously.

Motion by Kennedy, seconded by Jones, to adopt Resolution #2008-34 approving the South Dakota Consolidated Water Facilities Construction Program grant agreement between the state and the city of Elk Point for a grant up to 22.4% of approved total project costs and not exceeding \$300,000 for water and wastewater improvements along Washington and Clay Streets. A roll call vote was taken, and the motion carried unanimously.

Motion by Loucks, seconded by Bollweg, to adopt Resolution #2008-35 approving the South Dakota Consolidated Water Facilities Construction Program grant agreement between the state and the city of Frankfort for a grant up to 41.0% of approved total project costs and not exceeding \$75,000 for water treatment and collection system improvements. Funding is contingent upon the city eliminating the artesian well flows from the existing sanitary sewer collection system. A roll call vote was taken, and the motion carried unanimously.

Motion by Johnson, seconded by Bollweg, to adopt Resolution #2008-36 approving the South Dakota Consolidated Water Facilities Construction Program grant agreement between the state and the city of Lennox for a grant up to 24.7% of approved total project costs and not exceeding \$400,000 for wastewater treatment improvements. A roll call vote was taken, and the motion carried unanimously.

Motion by Jones, seconded by Kennedy, to deny consolidated funding for Mission Hill. A roll call vote was taken, and the motion carried unanimously.

SOLID WASTE MANAGEMENT PROGRAM FUNDING DECISIONS: David Ryan reviewed the Solid Waste Management Program applications and funding recommendations.

Motion by Loucks, seconded by Jones, to adopt Resolution #2008-37 approving the South Dakota Solid Waste Management Program Regional Landfill Assistance appropriation grant agreement between the state and the city of Belle Fourche for a grant up to 50.0% of approved total project costs and not exceeding \$150,000 for a regional landfill scraper purchase. A roll call vote was taken, and the motion carried unanimously.

Motion by Loucks, seconded by Kennedy, to adopt Resolution #2008-38 approving the South Dakota Solid Waste Management Program grant agreement between the state and the Northwest Regional Landfill Association for a grant up to 51.8% of approved total project costs and not exceeding \$30,000 for litter fence and roll-off container purchase. A roll call vote was taken, and the motion carried unanimously.

Motion by Jones, seconded by Rounds, to adopt Resolution #2008-39 approving the South Dakota Solid Waste Management Program Regional Landfill Assistance appropriation grant agreement between the state and Roberts County Regional Landfill for a grant up to 50.0% of approved total project costs and not exceeding \$215,000 for land acquisition and leachate pond construction. Funding is contingent upon the county securing a South Dakota Solid Waste Management Program permit to use the acquired property for the regional landfill. A roll call vote was taken, and the motion carried unanimously.

LEWIS & CLARK REGIONAL WATER SYSTEM SWRMS AGREEMENT: Mr. Ryan reported that the 2008 State Legislature appropriated \$6,400,000 in grant funding for Lewis & Clark RWS engineering design, preconstruction, and construction. Lewis & Clark has requested that these funds be placed under agreement.

Staff recommended approval of the grant agreement.

Troy Larson, executive director, discussed the project and requested approval.

Motion by Rounds, seconded by Loucks, to adopt Resolution #2008-40 approving the South Dakota Water and Environment Fund grant agreement between the state and Lewis & Clark Regional Water System in the amount of \$6,400,000. A roll call vote was taken, and the motion carried unanimously.

PERKINS COUNTY RURAL WATER SYSTEM SWRMS LOAN AND GRANT AGREEMENTS: Mr. Ryan reported that the 2008 State Legislature appropriated \$500,000 for the engineering, preconstruction, and construction of the rural water system. The legislative appropriation provides \$356,000 as a grant and \$144,000 as loan assistance. Approval of these funds will fulfill the state's cost share commitment.

Paul Adcock, manager, discussed the project and requested approval.

Motion by Loucks, seconded by Bollweg, to adopt Resolution #2008-41 approving the South Dakota Water and Environment Fund grant agreement between the state and Perkins County Rural Water System in the amount of \$356,000; and to adopt Resolution #2008-42 approving the South Dakota Water and Environment Fund loan agreement between the state and Perkins County Rural Water System in the amount of \$144,000. A roll call vote was taken, and the motion carried unanimously.

NONPOINT SOURCE (NPS) IMPLEMENTATION PROJECTS WATER QUALITY GRANT RESOLUTION: Mr. Feeney stated that SDCL 46A-1-95 authorizes the continuous appropriation of up to \$3 million annually for federal pass-through grant funds for the state's nonpoint source and clean lakes programs. This federal expenditure authority is used for the EPA Sections 319, 604(b), and 106 grants to local recipients.

The \$3 million level was established in 1996 when SD was passing through less than \$1.5 million in federal grant funds annually. Currently, 319 grants exceed \$2.5 million in annual awards plus \$100,000 annually of 604(b) and varying amounts of 106 funds primarily for TMDL assessments.

However, through SFY 2007, actual expenditures had not exceeded \$2.8 million. Additionally, the department has the ability, with the Bureau of Finance and Management's approval, to carry over unused authority to the next budget year for funds under agreement.

A number of NPS implementation projects have ramped up their expenditures. In late February, the department's fiscal office notified Mr. Feeney that only \$88,000 remained in federal pass-through for SFY 2008. In the state accounting system, both cash and authority are needed to process vouchers. Not wanting to shut down more than 25 watershed projects, the department looked for alternatives to address the expenditure authority shortfall. Adjustments of expenditures to other federal budget authority were made where DENR had the flexibility to do so.

For TMDL assessment projects that have state grant funding, fee funds and Water Quality grant funds, the department will bill to the nonfederal funds to the maximum extent possible through June 30, 2008.

The Association of South Dakota Conservation Districts agreed to use other funds for its personnel services expenses for its 303(d) Planning Grant and for several implementation projects that it provide project staff. The Brown County, Upper Big Sioux, and Central Big Sioux implementation projects will maximize the use of Clean Water SRF NPS Incentive loan funds for its Best Management Practices costs.

Clean Water SRF administrative surcharge funds will be used to provide Water Quality grants to NPS Implementation projects. The Clean Water SRF IUP amendment approved by the board made NPS implementation projects eligible to use these funds. Mr. Feeney stated that the resolution before the board today authorizes the mechanics for placing these funds under agreement. The resolution approves Clean Water State Revolving Fund Water Quality Grant forms for use in making grants to eligible Local Project Sponsors with current 319 Grant Agreements in a total amount of up to \$500,000, and designates the secretary of DENR as the representative of the board to do all things on its behalf allowable in connection with the execution and administration of these Clean Water SRF Water Quality Grants.

The local project sponsors 319 grant will be reduced by the amount of the water quality grant. The projects' level of grant assistance will be unchanged. There will be a net increase in 319 dollars to fund future applications.

Mr. Feeney stated that no additional funds are being authorized for Water Quality grants. The following outlines where the funds will come from.

\$150,000	FFY 2008 IUP amount
\$175,000	CAFO design
\$175,000	Auction Market Animal Waste Management Systems
<u>\$ 20,000</u>	Planning Grants
\$520,000	

The Planning Districts have been notified that planning grants for sanitary sewer studies will be limited to compliance only situations.

Potential uses of these funds include American Creek Conservation District, Belle Fourche Partnership, Davison Conservation District, Deuel Conservation District, Hamlin Conservation District, Hanson Conservation District, Kingsbury Conservation District, Randall RC&D, and SD Grasslands Coalition.

The Department will develop legislation for the 2009 Legislative Session to increase the federal expenditure authority for the NPS pass-through grants. It is the department's intent to use all available SFY 2008 federal authority and previously awarded nonfederal funds and to minimize the use of these additional funds that the board is being requested to authorize today. This will hopefully allow additional small community planning grants to be awarded in SFY 2009, but provide a needed source of funds to keep these watershed restoration projects moving forward.

Motion by Loucks, seconded by Jones, to adopt Resolution #2008-43 approving Clean Water SRF Water Quality Grant forms for use in making grants to eligible local project sponsors with current 319 grant agreements and EPA approved project implementation plans in a total amount of up to and not exceeding \$500,000. A roll call vote was taken, and the motion carried unanimously.

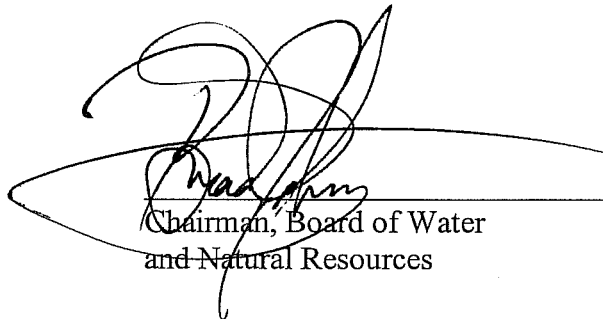
OTHER BUSINESS

Next Meeting: The next scheduled meeting is June 26-27, 2008, in Pierre.

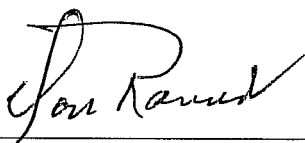
ADJOURNMENT: Motion by Rounds, seconded by Jones, to adjourn the meeting. Motion carried.

Approved this 26th day of June, 2008.

(SEAL)


Chairman, Board of Water
and Natural Resources

ATTEST:


Secretary, Board of Water
and Natural Resources

ATTENDANCE SHEET

BOARD OF WATER AND NATURAL RESOURCES MEETING

CONDUCTED VIA THE DIGITAL DAKOTA NETWORK

MARCH 27, 2008

PIERRE
CAPITOL BUILDING

<u>NAME (PLEASE PRINT)</u>	<u>ADDRESS</u>	<u>REPRESENTING</u>
DON ROUNDS	3204 Maine Pierre	BWNR
Dan Bollweg Jr	Harold St	BWNR
Greg Powell	Chamberlain SD	City of Chamberlain
Nicky Gaulke	Chamberlain SD	City of Chamberlain
Kim McLaury	Elk Point, SD	McLAURY ENG/CITY OF ELK POINT
Jim Anderson	Pierre	DENR
Dave Ruhnke	Pierre	DENR
Elayne Lande	Pierre	DENR
Eric Meintsma	Pierre	DENR
Dale Hargens	Moller	Legislative Oversight
Mike Perkovich	Pierre	DENR
GAYLEEN LOWE	PIERRE	SD DENR
Dave Teupelt	Pierre	DENR
Hayes Haas	Pierre	DENR
David Ryan	Pierre	DENR

ATTENDANCE SHEET

BOARD OF WATER AND NATURAL RESOURCES MEETING

CONDUCTED VIA THE DIGITAL DAKOTA NETWORK

MARCH 27, 2008

WATERTOWN
LAKE AREA TECHNICAL INSTITUTE

NAME (PLEASE PRINT)

ADDRESS

REPRESENTING

Jennifer Sickema	P.O. Box 1985 1201 S. Main St. Aberdeen, SD 57402	NECOG
Jeff A. V. H.	901 4th Ave SW Watertown	Wth Municipal Utilities
SEVE LEHNER	901 4th Ave SW WATERTOWN	WATERTOWN MUN. UTIL
GEOFF HEIG	901 4th Ave SW, WATERTOWN	WATERTOWN MUN. UTIL.
Brian Bergantine	3101 Frontage Rd S, Moorhead MN	AERS
DALE CHRISTENSEN	1100 4th St NW	WATERTOWN UTILITIES
Jay Gilbertson	Brookings, SD	East Dakota Water Dist.
Larry V. Holton	P.O. Box 68, Sisseton	Roberts Co. Land & H.
Larry W. Evans	202 Maple St Frankfort	Frankfort City
Richard H. Baker	518 Walnut Frankfort City	
Kenneth Johnson	913 5th St. SE, Watertown	SD DENR
Randy Johnson	950 N Lake Dr. Wd.	BWNR
Chad Sickema	Aberdeen, SD	Student

SIoux FALLS
SD PUBLIC UNIVERSITIES AND RESEARCH CENTER

REPRESENTING

Lynne Keller	Sioux Falls	SECOG
Ana J. Hilton	Sioux Falls	SECOG
Gindy Konda	Sioux Falls	SECOG
Cory Zimly	Beresford	City of Beresford
Chuck Von Eschen	Beresford	City of Beresford
Warlan Duenzer	Mitchell	SPN & Assoc
Justin Weiland	Lennox	City of Lennox - Administrator
Dawn Gilover	Elk Point	City of Elk Point
Nicky Haskell	Dell Rapids	City of Dell Rapids
Deb Kennedy	Beresford	BDWNR
Gene Jones Jr.	Sioux Falls	BDWNR
Dan Cotton	Beresford	City of Beresford

S.D. SCHOOL OF MINES & TECHNOLOGY
RAPID CITY, SD

NAME (PLEASE PRINT)

ADDRESS

REPRESENTING

Bernice Loucks

Self =

John T. Luccis

Royal City

DELVR

Blaise Emerson

Rapid City

BHCOLE

Bill Lages

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DAVE Schneider

524 JACKSON ST Belle Fourch

Belle Fourche Council

DIRK HOFFMAN

606 6th Ave

Belle Fourche